

**CYNGOR SIR POWYS COUNTY COUNCIL.
CABINET EXECUTIVE
7th February 2017**

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Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 31st December 2016

REPORT FOR: Decision / Discussion / Information

1. Summary

1.1 This report provides an update on the Revenue and Capital spend against Budget for the year to date as at 31st December 2016, and provides an early indication of the 2016/17 financial forecast. It is important to note that savings will be committed when they have been delivered, and we maintain this approach to ensure a prudent position.

2. Revenue

2.1 The projected forecast for the revenue budget is to overspend by £4,850k against the approved budget, an improvement of £784k on the position reported at the end of November. The position excludes the Housing Revenue Account (HRA) and Schools Delegated Budgets. This projection is provided after considering all known factors. This includes undelivered savings for both the current financial year and previous financial year.

2.2 A summary by Directorate is provided below.

Summary Forecast by Directorate	Original Budget	Total Working budget	Approved Contribution to / (Use) of Reserves	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend
	£'000	£'000	£'000	£'000	£'000	%
People	71,546	72,908	4	78,164	(5,256)	-7.21%
Place	38,792	39,985	(4,328)	40,178	(193)	-0.48%
Schools	29,029	22,968	(1,235)	23,406	(438)	-1.91%
Resources	6,456	7,449	(1,125)	7,310	139	1.87%
Central Activities	21,317	17,569	1,670	16,671	898	5.11%
Total	167,140	160,879	(5,014)	165,729	(4,850)	-3.01%

2.3 In December, Cabinet agreed the Budget Recovery Report and an action plan has been compiled, with owners or each delivery target, to ensure the recommendations are monitored for progress and delivered.

3. Capital

3.1 Actual capita budget and committed expenditure is £30.146m which represents 52.8% of the full year revised budget, it includes approved and required virements.

4. Efficiency savings

4.1 The revised revenue saving target is £12,139k and made up of in year and previous year's targets, summarised below, thus far £8,799, 72% has been delivered:

- 2016/17 £9,554k
- 2015/16 £2,534k
- 2014/15 £51k

5 Reserves

5.1 The revenue reserves held at the beginning of the year totalled £42m, with £10.285m held in the General Reserve. The forecast use of reserves to support the revenue budget during the year is £7.484m. Unless the agreed budget savings are delivered a further draw on the general reserve will be required, this is currently projected at £4.597m.

6. Revenue Forecast

Forecast Outturn and Undelivered Savings by Service at 31st December 2016

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Unachieved Savings as at 31st December 2016	Of which Unachieved savings 15/16 bfwd	Service Under/(Over) spend excl. unachieved savings
		£'000	£'000	£'000	£'000	£'000
People						
Adult & Commissioning	55,799	60,646	(4,847)	(829)	(579)	(4,018)
Children Services	16,247	16,674	(427)	(105)	(105)	(322)
Housing General Fund	862	844	18	0	0	18
Place						
Leisure & Recreation	11,914	11,717	197	0	0	197
Regeneration, Property & Commissioning	7,389	7,123	266	(164)	(14)	430
Highways, Transport & Recycling	20,682	21,338	(656)	(953)	(408)	297
Schools						
Schools Service	22,968	23,406	(438)	(276)	(158)	(162)
Resources						
Professional Services	1,249	1,214	35	(98)	(78)	133
Information Services	188	252	(64)	(176)	(68)	112
Business Services	1,823	1,763	60	(148)	(117)	208
Chief Executive	4,189	4,081	108	(101)	0	209
Service Area Totals	143,310	149,058	(5,748)	(2,850)	(1,527)	(2,898)
Central Activities	17,569	16,671	898	(300)	(250)	1,198
Total	160,879	165,729	(4,850)	(3,150)	(1,777)	(1,700)
Housing Revenue Account (HRA)	0	-73	73	0	0	73
Schools Delegated	76,240	76,319	-79	(190)	0	111
Total including HRA	237,119	241,975	(4,856)	(3,340)	(1,777)	(1,516)

- 6.1 The table above provides a forecast by service, showing forecast spend against approved working budget. The 'working budget' includes budgeted transfers to or from reserves.
- 6.2 There is a performance indicator that focuses on the revenue outturn, with a target to be within 0.5% of net budget. The forecast outturn for the year excluding Delegated Schools and the HRA is a net overspend of £4.850m or 3% of the working budget.
- 6.3 The table provides further analysis of the service performance, showing that there are unachieved savings of £3.3m and 53% of this relates to undelivered savings from 2015/16.
- 6.4 The service areas are projecting a £2.898m overspend in terms of service performance.

7. <u>People Directorate</u>	Net Working Budget:	£ 72,908k
	Net Forecast Expenditure:	£ 78,164k
	Variance (Over)/Under Spend:	£ (5,256)k
	Nov Forecast (Over)/Under Spend	£ (5,574)k
	Change in Forecast	£ 318k

The People directorate have not made any inroads into the 3rd Party Savings and £490k has yet to be delivered. The main variances within the People directorate are as follows:-

Adult Social Care (ASC) Forecast Over Spend **£ (4,847)k**

- 7.1 The opening budget base for ASC was set without funding a number of pressures, with an expectation that the service manage them, estimated impact is circa £2m, net of the £1m that was funded to mitigate these pressures in part.

7.2 Older people Forecast Overspend **£(4,121)k**

- 7.2.1 Home Care – forecast overspend of £3.4m. There is increased demand in both in-house and the independent sector predicting a respective £2.355m and ££430k overspend. This is due to an increase in service user numbers, changes to call duration and the impact of the National Living Wage.
- 7.2.2 Residential Care – forecast overspend of £581k, because of increased demand from 55 service users. There is reduced income from respite care clients due to the change in legislation on charging and a 5% top slice on intermediate care funding. The Bupa contract credit note of £200k agreed as part of the renegotiated contract has now been factored into the forecast.
- 7.2.3 Day Centres – the £664k forecast overspend in this area is mainly due to unachieved efficiency savings targets, there is the need to replan the future shape of the service.
- 7.2.4 Efficiency targets are being delivered through sizing of packages and the recovery of under-utilised Direct Payments.
- 7.2.5 Staff and travel slippage within Reablement provides a mitigating £223k underspend.

7.3 Learning Disabilities (LD) Forecast Over Spend **£ (1,015)k**

- 7.3.1 Residential Nursing – is forecast to be overspent by £821k due to 11 new placements being made.
- 7.3.2 The efficiency target for right sizing of packages has achieved a £109k saving, offset partly by underachieved income as a result of the fairer charging policy.

7.3.3 An underspend on staffing across all LD services is mitigating the pressures from a reduction in funding from the Independent Living Fund and the National Living Wage.

7.4 Mental Health Forecast Overspend Spend £ (130)k

7.4.1 Residential and Nursing Care –forecast to overspend by £295k, equating to 4 additional placements due to demand.

7.4.2 Staff slippage in the Mental Health Social Worker team and, over-achieved income mitigates the overspend in part.

7.5 ASC Support Services Forecast Under Spend £419k

7.5.1 The under spend in this area is due to staff vacancies and the travel and ancillary costs related to these posts.

7.5.2 Direct Payments to service users are forecast to be overspent by £117k due to service user referrals over and above the contract number, these were not predicted when tendered.

7.6 Childrens Services Forecast Over Spend £(427)k

7.6.1 There has been a significant increase in overspend in this area of £103k from that reported in November. This is mainly due to three additional out of county placements during the month totaling £229k, offset by one placement costing £33k, currently being paid for by Health, but this is due for review in early 2017.

7.6.2 Looked after Children – this area is predicting an over spend of £670k, due to additional demand and increased complexity of need of high risk cases. The service have been asked to produce a recovery plan to recover the position.

7.6.3 The over spends are partly offset by staff slippage due to recruitment issues and a restructure in October which led to vacant posts being held.

7.7 Housing General Fund Forecast Under Spend £ 18k

7.7.1 The forecast underspend in this area is due to savings being achieved through the additional income from Private Sector Housing fire risk assessments.

8. <u>Place Directorate</u>	Net Working Budget:	£ 39,985k
	Net Forecast Expenditure:	£ 40,178k
	Variance (Over)/Under Spend:	£ (193)k
	Nov Forecast (Over)/Under Spend	£ (541)k
	Change in Forecast	£ 348k

The overall forecast position for the Place directorate as at the end of December is an overspend of £193k, a significant improvement of £348k on previous month. As part of the service recovery plan, there have been deliberate underspends created through delayed spend, facilitating a £220k saving in both Regeneration, Property and Commissioning and Leisure and Recreation to mitigate budget issues within Highways Transport and Recycling.

8.1 Regeneration, Property & Commissioning Forecast Under Spend £266k

The main variances, which contribute to the overall underspend in this area are:

8.1.1 Building Design - £317k overspend is forecast due to an unachievable income target.

8.1.2 Statutory Testing - £110k underspend as a result of the variable nature of the testing over the programme year and a reduction in staff costs.

8.1.2 Building Control and Development Management – underspends of £93k and £215k respectively, due to delivery of additional income.

8.1.3 Property Management and Regeneration – forecast to underspend by £57k and £68k respectively, due to a reduction in staff costs and a reduction in the Community Hall bad debt provision.

8.2 Highways, Transport and Recycling Forecast Over Spend £(398)k

8.2.1 There has been a significant overspend reduction of £190k. This is mainly to do with the charging of under-recovered costs for fleet to enable full cost recovery.

8.2.2 In addition to the above, the forecast outturn overspend is mainly due to savings which are unlikely to be achieved:-

- Logistics Project - £198k relating to the optimisation of waste rounds which will not be achieved until next financial year.
- Brecon market - £20k additional income target will not be achieved this year as we are unable to increase fees due to the condition of the market hall.
- Trade Waste - £120k additional income target is unachievable due to a loss of customers.
- Phase 1 Income target of £50k in relation to charges for bulky waste and waste transfer notes, which requires a cabinet report to take forward.
- Waste Contracts - £150k in respect of waste contracts, the contracts are yet to be completed, once implemented they will be backdated to April 2016.
- Permit charging - £30k will not be achieved this year due to a delay in implementation
- Waste collection - £121k, unachieved saving from 2015/16 expected to be realised through a reduction in fleet costs. It was previously reported that this would be partly achieved through additional savings from the 3 weekly collections, however this has not materialised and the full amount remains a pressure.

8.3 Leisure and Recreation Forecast Under Spend £ 197k

8.3.1 The main variances, are an under spend of £15k in Recreation and Countryside Policy, £14k in Museums and £12k in Archives. An under spend of £38k in Countryside Access as a result of slippage in planned projects is reported, an under spend of £43k in Libraries as a result of service re-organisation to achieve efficiencies, and it is now forecast that Catering and Cleaning will underspend by £24k and £29k respectively, due to additional income and full cost recovery

8.4 Directors Budget (£258k)

8.4.1 A forecast outturn over spend of £258k relates to non-delivery of the 3rd Party Spend target, although £53k has now been achieved due to the grounds project. The 'Third Party Spend' saving for the whole of the Place Directorate sits within this area.

9 Schools Service (ex. Schools Delegated)

Net Working Budget:	£22,968k
Net Forecast Expenditure:	£23,406k
Variance (Over)/Under Spend:	£ (438)k
Nov Forecast (Over)/Under Spend	£ (556)k

Change in Forecast

£ 118k

9.1 The Schools service are forecasting an over spend of £438k to the year end. The main variances contributing to the over spend are detailed below:-

9.2 Schools Operational Costs Forecast Over Spend £ (876)k

9.2.1 Structural repairs – £70k overspend because of an unbudgeted rates charge in respect of Ysgol Dafydd Llwyd.

9.2.2 Home to School Transport – the overspend remains at £587k due to additional mileage and larger vehicles required to accommodate demand.

9.2.3 Severance pay forecast overspend remains at an estimated £319k. This is based on an estimate of future redundancy costs that will be incurred by the Service as part of the Voluntary Severance Scheme (Wave 1a). This position will be updated as actual costs are incurred.

9.2.4 Central Support Services – predicting a mitigating underspend of £99k in respect of staff and travel costs. The teacher centre contract and Freedom Leisure Service Legal Agreement less than budgeted for.

9.3 Pupil Inclusion Forecast Under Spend £ 9k

9.3.1 Special Other (PRU/Specialist Units/Out of County Provision/HIVI) overspends have reduced from £169k to £87k, due to a restructuring of teaching assistant hours in all units from January 2017. The full year effects of this restructure will reduce the outstanding savings to be found from £104k to £44k, which is contributing to the current overspend within this area.

9.3.1 Independent out of county provision is forecasting an overspend of £112k, a reduction of £48k from the previously reported £160k. This reduction is due mainly to the costs relating to the provision made for a child no longer required following the outcome of a tribunal. However, there may be further placements that could lead to this overspend increasing.

9.3.2 PRU service is currently forecasting an underspend of £103k, however this has reduced to £78k since the timing of this report, due to costs identified by the PRU North, for additional pay claims that had not been accounted for.

9.4 School Central (delegated) Forecast under Spend £ 394k

9.4.1 Includes two budget provisions in relation to contingency and class size protection funding in the Primary sector and other centrally held provision. Also included are Additional Learning needs monies of £4.5m forecast to be fully utilised during the year.

10 **Resources Directorate Net Working Budget:** £ 7,449k

Net Forecast Expenditure: £ 7,310k

Variance (Over)/Under Spend: £ 139k

Nov Forecast (Over)/Under Spend £ 132k

Change in Forecast £ 7k

10.1 The resources directorate includes Professional, Information and Business Services along with the Chief Executive budget. Each areas outturn is considered below:-

10.2 Chief Executive Forecast Outturn Under Spend £ 108k

10.2.1 The forecast underspend is for staffing and a cabinet post, along with a review of the Executive within Communications. This is offset in part by a savings target within Workforce and Development Planning which is forecast not to be achieved.

10.3 Business Services Forecast Under Spend £ 60k

10.3.1 Re-organisation and service re-design work carried out within this area has enabled savings targets to be achieved resulting in this favourable forecast outturn position.

10.4 Information Services Forecast Over Spend £(64)k

10.4.1 The over spend is in respect of savings targets including Third Party, yet to be achieved.

10.5 Professional Services Forecast Under Spend £ 35k

10.5.1 The main change in this area is the completion of the Insurance policy renewal which has enabled the £43k efficiency saving in respect of Risk and Insurance to be achieved. There are small underspends across Commercial Services, the Corporate Insight Centre and Finance offset by a £10k overspend in audit.

11	<u>Central Activities</u>	Net Working Budget:	£ 17,569k
		Net Forecast Expenditure:	£ 16,671k
		Variance (Over)/Under Spend:	£ 898k
		Nov Forecast (Over)/Under Spend	£ 905k
		Change in Forecast	£ 7k

11.1 An underspend of £898k is forecast at the year end, excluding the Council Tax surplus, forecast at £253k. The main contributors to the underspend are capital charges, due to an increase in the valuation of assets under construction; Community Delivery Project which is forecast to underspend by £46k based on current activity; the budget saving from the removal of the Integration and Development Officer and the overall saving from the renewal of the insurance policy, most of which will contribute towards 3rd Party Efficiency targets.

11.2 The Management of Change costs are held within this area and it is anticipated that the forecast underspend will increase as a result of a recent development that transformation costs can once again be capitalised this year as it was in last year's accounts. This increase has not yet been reflected in the above figures but is anticipated to be in the region of £150k.

12	<u>Schools Delegated</u>	Net Working Budget:	£ 76,240k
		Net Forecast Expenditure:	£ 76,319k
		Variance (Over)/Under Spend:	£ (79)k
		Nov Forecast (Over)/Under Spend	£ 30k
		Change in Forecast	£ (49)k

12.1 The individual Schools Delegated budgets are forecasting a net £79k overspend against the planned budget at year end. The figures from the High Schools and the All Through School have been incorporated where available, in accordance with the Scheme for Financing Schools.

12.2 The budgeted and forecast use of Schools Reserves is shown in the table below. The current information projects a £2.038m forecast use of reserves.

School Deficit / Surplus	Opening Balance	Cabinet Position July 2016 Planned/Budgeted Contribution/(Use)	Current Planned Budgeted Contribution/(Use)	Forecast Underspend/(Overspend)	Projected Closing Balance
	£'000	£'000	£'000	£'000	£'000
Total Deficits	(940)	(224)	(232)	(250)	(1,422)
Total Surplus	3,809	(2,350)	(1,727)	171	2,253
Total Balance	2,869	(2,574)	(1,959)	(79)	831

12.3 This is analysed into the different categories of schools as follows:-

Type of School	Opening Balance	Cabinet Budgeted Contribution/(Use)	Budgeted Contribution/(Use)	Forecast Underspend/(Overspend)	Forecast Closing Balance
	£'000	£'000	£'000	£'000	£'000
Primary	2,556	(1,465)	(871)	170	1,856
Special	(164)	(218)	(221)	82	(303)
Secondary	476	(891)	(867)	(331)	(722)
Total	2,869	(2,574)	(1,959)	(79)	831

12.4 The table below shows the breakdown of schools in deficit and surplus positions:-

Type of School	Schools Projected to be in Deficit at 31 March 17	Cabinet Position	Cumulative forecasted deficit	Cumulative forecasted surpluses	Total	Deficit to surplus
			£000	£000	£000	%
Primary	25 of 83	19 of 83	(348)	2,203	1,855	(16%)
Special	1 of 3	1 of 3	(493)	190	(303)	(259%)
Secondary	7 of 12	7 of 12	(1,198)	477	(721)	(251%)
Total	33 of 98	27 of 98	(2,039)	2,868	831	(71%)

12.5 The number of deficits projected at the end of March 2017 is 33. The overall position for High Schools has worsened with individual schools, being requested to take action where necessary to ensure they are in compliance with the Scheme for Financing schools. Five schools remain unlicensed and recovery plans have been requested from those yet to submit.

12.6 Finance meetings to discuss current year projections and future year budgets continue in the Spring Term, with schools having to submit draft budgets for 2017/18 to the authority by the 31st March 2017.

13 Housing Revenue Account Forecast Outturn Under Spend £73k

13.1 Cyclical Voids and Responsive Maintenance is forecast to overspend by £27k. Additional budget has been moved to this area, funded from the reduction in the Grounds SLA and Access to Services provision, to fund the additional cost of the Heating Programme.

- 13.2 Garage rents and rechargeable works are forecast to overachieve their income target by £62k with Council House rents forecast to underachieve by £84k.
- 13.3 There are other small underspends within the HRA in the main relating to third party consultants, other hired and contract services and grounds maintenance

14 Reserves

- 14.1 The total revenue reserves held at 1 April 2016, together with the forecast addition/ (use) of reserves during the year and the projected year end balances at 31st December 2016, are set out in the table below.
- 14.2 Underspends and overspends recorded in the revenue table in section 2.2 have been included in the forecast above. The delivery of savings are essential to reduce the projected overspend. Any overspend will have to be met from the General Fund Reserve and will have a significant impact on the level of the reserves held.
- 14.3 The use of Specific and Ring Fenced Reserves (including the Housing Revenue Account) is significant at £6.39m, however, these reserves have been set aside for planned purposes, including delivery of the Welsh Housing Quality Standard and the 21st Century Schools Programme.
- 14.4 After considering the projected overspend the revised forecast level of General Fund reserves at 31 March 2017 is 2.75% of total net revenue budget less schools. This excludes all specific and ring fenced reserves in the table above. This level of reserve falls below the 3% strategy agreed by Council / Cabinet.

Summary	Reserves 01/04/16 Surplus/ (Deficit) £`000	Forecast Addition to/ (Use of) reserves £`000	Projected 31/3/17 Surplus/ (Deficit) £`000
General Fund	10,285	(1,090)	9,195
Projected Overspend		(4,597)	(4,597)
	10,285	(5,687)	4,598
Ringfenced & Specific Reserves			
Budget Management Reserve	3,984	(610)	3,374
Specific Reserves	1,881	(418)	1,463
21st Century Schools Reserve	6,734	(1,692)	5,042
Invest to Save & Corporate Initiatives (inc JE)	8,673	(1,195)	7,478
Insurance Reserve	1,965	(23)	1,942
Transport & Equipment Funding Reserve	5,054	(42)	5,012
Sub-Total	28,291	(3,980)	24,311
Schools Delegated Reserves	2,810	(2,075)	735
School Loans & Other Items	(417)	55	(362)
Projected Underspend		(79)	(79)
Net School Delegated Reserves	2,393	(2,099)	294
Total Ringfenced & Specific Reserves	30,684	(6,079)	24,605
Housing Revenue Account	1,385	(384)	1,001
Projected Underspend		73	73
	1,385	(311)	1,074
Total Revenue Reserves	42,354	(12,077)	30,277

15. Efficiency Savings

15.1 The table below summarises the current position in the delivery of savings required within the budget. A prudent approach is adopted and only when savings are delivered are they built into the projections as achieved

15.2 Savings of £8.799m have been achieved to date representing 72.5% of the total required. The savings achieved for each of the financial years are as follows:

- 2014/15 - £51k;
- 2015/16 - £757k
- 2016/17 - £7.991k

This leaves £3.340m yet to be achieved. The savings are depicted graphically in Appendix 1.

Efficiency / Saving	2014/15	2015/16	2016/17	Total to be Achieved 16/17	Total Achieved to Date	Remainder to find	Achieved
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Place							
Highways Transport & Recycling	0	400	1,283	1,682	987	696	59%
Regeneration, Property & Commissioning	0	14	528	542	378	164	70%
Leisure & Recreation	0	52	438	491	491	0	100%
Place	0	398	0	398	141	257	35%
Place	0	400	1,283	1,682	987	696	59%
Schools							
Schools	51	158	1,846	2,055	1,589	466	77%
Schools	51	158	1,846	2,055	1,589	466	77%
People							
Adult	0	868	450	1,318	489	829	37%
Children Services	0	105	511	616	510	105	83%
Housing	0	7	0	7	7	0	100%
People	0	979	961	1,940	1,006	934	52%
Chief Executives							
Chief Executives	0	1	183	184	130	54	71%
Legal	0	0	251	251	204	47	81%
Chief Executives	0	1	434	434	334	101	77%
Resources							
Business Services	0	117	531	648	500	148	77%
Information Services	0	68	143	210	34	176	16%
Professional Services	0	78	180	258	160	98	62%
Corporate Activities	0	269	3,211	3,480	3,180	300	91%
Resources	0	532	4,064	4,596	3,874	722	84%
Grand Total	51	2,534	9,554	12,139	8,799	3,340	72%

3rd Party Spend

- 15.3 Reduction in 3rd Party Spend is one of the budget principles set by the Council and this is reflected within the Council's budget by allocating targets to service areas.
- 15.4 Savings are being realised in services with support from Commercial Services. However, these do not necessarily contribute to base line reductions in budgets held by Service departments, due to the delegated or ring-fenced nature of certain budgets. This has indicated greater clarity is needed when determining if a saving reduces the base budget or reduces spending pressure.
- 15.5 The table below sets out this year's targets which were agreed by the Corporate Commissioning and Procurement Board and shows that £418k has been achieved and £195k delivered through other routes. The £510k underachievement is included within the forecast position in year and will need to be addressed in 2017/18.
- 15.6 The budget gap that needs to be delivered in 2017/18 is £705k.

Cost Centre Name	2016/17 Third Party Target	2016/17 Delivery through other means	Delivered Efficiencies	Carry forward gap into 2017/18
	£'000	£'000	£'000	£'000
Place	369	0	115	254
Adult Services	373	0	0	373
Childrens Services	110	0	0	110
Housing	7	0	2	5
Change and Governance	68	0	0	68
Resources	195	78	301	(106)
Communications	1	117	0	1
Grand Total	1,123	195	418	705

- 15.7 The actual cost improvement for 3rd Party Spend is in excess of the £1,123k target at £1,727k. However savings identified include capital grants, HRA and delegated schools services, which cannot be removed from the revenue budget. Other improvements are reducing areas of overspend. Within the terms of the legislation around the HRA it is important that this account bears some of the costs for the improvement the account has benefitted from. In summary, to date, the main split of savings are:

- HRA / Delegated Schools £892k
- Capital and Grants £95k
- Assisting unavoidable spend and mitigating overspends £104k
- Efficiencies spent on other savings £218k
- Useable savings £418k

- 15.8 The overall approach has been effective but the emphasis now needs to be on the revenue budget. Corrective action will now take place to ensure delivery is achieved in 2017-18.

Income

- 15.9 Income targets, based on additional income opportunities, were identified through the income review for both 2016/17 and 2017/18, these are shown, by service area, in the table below, alongside delivery to date of these targets.

Cost Centre Name	2016/17 Income Target	Forecast Achieved 2016/17 income target	2016/17 Delivery through other means	Carry forward gap to 2017/18
	£'000	£'000	£'000	£'000
Highways Transport and Recycling	140	0	0	140
Regeneration, Property and Commissioning	235	125	100	100
Business Services	31	31	0	0
Professional Services	54	0	54	54
Information Services	4	4	0	0
Chief Executives	84	34	50	50
Schools	73	58	0	25
Corporate	250	0	250	250
Grand Total	871	252	464	619

- 15.10 Of the £871k target set for the current financial year £715k (82%) is projected to be achieved, although £464k is through delivery by alternative means in year and the baseline for future years needs to be addressed. The in year shortfall of £155k is included in the service forecasts.
- 15.11 In addition to the budget gap of £619k which will roll forward into 2017/18, additional income targets are included in the budget plan for 2017/18 and 2018/19 at £400k per annum, these targets will be supported by specific projects.
- 15.12 The council has an income strategy and this must be used to meet the shortfall. Key to delivery will be the ownership and buy-in to the need to be more 'commercial' and realise the available income opportunities. This will be assisted by a more corporate approach to income generation in order to ensure the original momentum is regained and that income is generated within a corporate approach rather than in isolation.

Cost Improvement Board

- 15.13 The Income and Cost Improvement Board (CIB) was established, but has not convened for some time. The Board will be reinstated, chaired by the Head of Financial Services, to oversee and monitor income management and improvement activity across the Council, particularly the 3rd Party Spend. Effective governance arrangements agreed by the Board will ensure that the Income Management and Service Cost Recovery Policy is implemented and adhered to by services.
- 15.14 The Board will provide challenge to perceptions over the achievability of income improvement opportunities and will support and monitor the implementation of approved income improvement business cases, along with monitoring in-year performance against income targets.
- 15.15 In addition the Board will develop and monitor the action plan in response to the Wales Audit Office recommendations and further develop the ongoing strategy to deliver the proposed income targets for future years.
- 15.16 The Board will report to Management Team, Cabinet and the Finance Scrutiny Panel. Board to comprise of Finance Project Lead for Income, Service Area Lead for Income, nominated by Heads of Service.

16 CAPITAL PROGRAMME

16.1 The revised Capital programme after virements approved is £57.093m

16.2 Actual and committed spend is £30.146m which represents 53% of the working budget. The table below summarises the position for each directorate.

16. <u>Capital Programme</u> Service	Original Budget 2016/17	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2016/17 as at 31 st Dec 2016 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	443	568	0	0	1,011	74	937	92.7%
Housing	1,948	617	0	0	2,565	1,863	702	27.4%
Schools and Inclusion	4,872	2,526	-700	0	6,698	2,942	3,756	56.1%
Chief Executive	0	98	0	0	98	-19	117	119.4%
Resources								
Business Services	87	388	-141	0	334	305	29	8.7%
Professional Services	532	-517	0	0	15	0	15	100.0%
Information Services	820	399	0	0	1,219	757	462	37.9%
Place								
Highways, Transport & Recycling	7,696	5,728	0	0	13,424	7,240	6,184	46.1%
Leisure & Recreation	8,445	1,336	0	0	9,781	2,833	6,948	71.0%
Regeneration, Property & Commissioning	4,284	579	-475	-1,170	3,218	341	2,877	89.4%
Total Capital	29,127	11,722	-1,316	-1,170	38,363	16,336	22,027	57.4%
Housing Revenue Account	18,550	430	-250	0	18,730	13,810	4,920	26.3%
TOTAL	47,677	12,152	-1,566	-1,170	57,093	30,146	26,947	47.2%

16.3 There are 6 virements proposed for approval in December 2016 along with 1 Capital grant and 1 Revenue grant received, details as follows:-

- Roll forward £250k of monies remaining from the completion of Ysgol Dafydd Llwyd to be used on other Band A projects.
- £450k in respect of the delayed sports provision at Crickhowell High School
- Work relating to the new Fleet facility is not likely to commence until 17/18 therefore recommend £1,170k is rolled forward.

- Roll forward of monies in respect of the Regeneration fund project due to commence in April 2017
- Roll forward of £300k in respect of Office Accommodation is recommended.
- Work to achieve Welsh Housing Quality Standard at Gwaelod-y-Bryn will now be completed in 2017/18 therefore recommend roll forward of £250k

Grants

- Capital - Work to facilitate elimination of 5 level crossings at Talerddig to improve safety, will be carried out by Powys Engineering and Design, with Network Rail covering all costs, which are said to be in the region of £1.3m in this financial year.
- Revenue - £36k received in respect of Animal Health and Welfare Enforcement (additional funds via Pembroke CC)

16.4 **Place** - A spend of £10.414m against a total budget of £28.068m is reported at the end of December 2016, 63% of the capital budget remains unspent.

16.5 **Resources** - Access to Services Channel Shift project, Cashless system and a number of ongoing ICT projects. Spend and commitments as at the end of December total £1,062k against a budget of £1,568k, 32% remains to be spent.

16.6 **Schools** - Actual Expenditure represents 43.9% of total budget as at the 31st December, the capital programme for Schools consists of:-

16.6.1 The Major improvement programme has 61 schemes in 2016/17, including schemes carried forward from 2015/16. Any uncommitted funding within projects will be reallocated back to the programme contingency to cover for emergencies, unforeseeable and legislative requirements and budget fluctuations over the course of the year and to ensure school service continuity

16.6.2 Schools Other – There are 2 projects currently included under schools other. They are Crickhowell Sports Centre and a small extension at Penygloddfa.

16.7 21st Century schools has 6 programmes each are at varying levels of progress:-

16.7.1 **The Gwernyfed Catchment Primary schools** - the full business case has been completed and submitted to Welsh Government for consideration in January. Planning consent has been obtained for all 5 Schools.

16.7.2 **Ysgol Dafydd Llwyd** - School has now been officially opened and all remaining works are nearly completed.

16.7.3 **Beacons Campus** - The tendering process started on 16th December for a D & B Contractor for Brecon High School – total cost £22m

16.7.4 **Welshpool** - The outline business case has been approved by Welsh Government with a total project cost of £13m. Tender documents anticipated to be issued at the end of Jan.

16.7.5 **Ysgol Bro Hyddgen** Combined Strategic Outline Case/Outline Business Case has been approved by Welsh Government. Total project cost: £23m

16.7.6 **Ysgol Glantwymyn/Carno** - Designs have been shared with Carno and Glantwymyn – which it is anticipated will be finalised in the new year.

17. **People** - The 2016/17 capital allocation for Adult Services relates to the following projects:

- 17.1 £443k Mobile working and transformation - £24k spend to date
- 17.2 £67k rolled forward re Home Care call monitoring system and Castell y Dial electrics. To date there has been no capital spend or commitments made. A virement is being completed to roll forward Castell y Dial until the service is redesigned.
- 17.3 Powys has been allocated £500k WG Intermediate Care Funding 2 (ICF2) for 2016/17, of which £65k has been given to the Council for a Community Equipment Store. Actual spend and commitments to date are £53k. It is assumed all underspends would be reclaimed by WG.
- 17.4 A Welsh Government Substance Misuse grant of £436k to fund the lease of Dolanog House Welshpool, has no spend against it to date. It is assumed all underspends would be reclaimed by WG.
- 17.5 **HRA**
- 17.6 The Housing Stock, which is funded by £3.71m Major Repairs Allowance from WG, Housing reserves, receipts & prudential borrowing.
- 17.7 The HRA Capital includes the Welsh Housing Quality Standards (WHQS) plan of £15.21m for 2016/17 as set at budget time, to enable the council to achieve WHQS by March 2018. Actuals and commitments to the end of December are £13.81m.
- 17.8 Of other capital works total £4.38m, only £838k has been spent and committed to the end of December leaving just under 81% of the budget to be utilised. As agreed at the Service Management meeting the £0.2m previously allocated for IT mobile working has been requested to be rolled forward in to 2017/18, a budget virement has been completed and will be presented at council to be agreed.
- 17.9 The Housing General Fund, capital budget is £603k; £200k budget funded from prudential borrowing to search for a new Gypsy site in Machyllneth, of which £60k has been spent and committed. In addition, £100k funded from capital receipts, has been allocated to search for a new Gypsy site in Welshpool and there has been £8k committed to date. A Welsh Government grant of £304k has been awarded to complete the two outstanding pitches on Kings Meadow by end of this financial year, as a need was identified from the Gypsy Traveller Accommodation Assessment, £5k has been committed to date. Once planning permission for Machyllneth is granted a bid for Welsh Government Grant will be submitted with a view for work to begin in 2017/18.
- 17.20 The Private Sector Housing budget is £1.961m. Actuals and commitments to date are £1.789m. Schemes included are; Safe Warm and Secure (SWS), Landlord loans, Co2 Emissions and Disabled Adaptations in general properties non HRA.

18 Issues affecting the Forecasts

- 18.1 Eprocurement, ROCC and any other feeder systems, need to be maintained and administered following the correct procedures and processes, in a timely manner to ensure data used for forecasting is as accurate as possible. There are also delays in timesheet entry and invoicing in some areas.
- 18.2 Since the commencement of the 'corporately agreed agency framework', the use of the commitment system, eProcurement, has not been utilised, so the forecast for agency staff could contain errors and there is a risk of it being understated in the forecast outturn.
- 18.3 There are a number of budget areas, such as Additional Learning Needs (ALN) and Looked After Children (LAC) where there is an increase in demand and complexity of

service user needs. It is therefore extremely difficult to predict spend accurately in such volatile budget areas.

18.4 Income levels can be difficult to predict if based on demand for services or arrangements with a third party, which can be open to challenge. Therefore, there is an inherent risk that income built into the forecast may not be realised. However, forecasts have, where possible, been based on previous trends where more accurate information is not available.

18.5 We must ensure that all spend is coded correctly, especially in relation to grant monies, and any errors identified and corrected as soon as possible during the year, to ensure maximisation of resources and accuracy of accounting records.

18.6 It is difficult to predict the impact on forecast, of services which are in the process of being transferred to external providers either through a Joint Venture, Community Transfer or other Shared Service agreements.

19 **Options Considered/Available**

No alternative options are considered appropriate as a result of this report.

Preferred Choice and Reasons

20 None to consider.

21 **Sustainability and Environmental Issues/Equalities/Crime and Disorder, /Welsh Language/Other Policies etc.**

The proper management and control of the Council's finances together with the associated delivery of services will have an impact across all Council services. It is not sustainable to allow service areas to overspend without a plan to address the underlying cause of the overspending.

22 **Children and Young People's Impact Statement - Safeguarding and Wellbeing**

This report presents the financial position for Children's services and forecasts a near balanced budget for the year. The budgets must continue to be monitored to ensure the allocated resources meet service need.

23 **Local Member(s)**

This report relates to all service areas across the whole County.

24 **Other Front Line Services**

This report relates to all service areas across the whole County.

25 **Support Services (Legal, Finance, HR, ICT, BPU)**

This report has no specific impact on support services other than reporting on those service areas financial outturns. Financial Services work closely with all service areas in monitoring financial performance against budgets.

26 **Local Service Board/Partnerships/Stakeholders etc.**

This report presents financial information which will help inform the future medium term financial plan and therefore has implications for any related organisation.

27. **Communications**

This report has no specific communication considerations. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports

are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

28. Statutory Officers

The Strategic Director, Resources (Section 151 Officer) notes the overall financial position. It is essential that agreed savings are delivered in order to safeguard the council's financial position. The savings that were not delivered in 2015/16 will need to be delivered in 2016/17 because they remain in the base budget.

If not addressed the projected outturn will have an impact on the council's reserves. It is important to note that there is unlikely to be any one-off adjustments available as in financial year 2015/16 that had a considerable positive impact on the end of year position.

The main area of concern is Adult Services and the Strategic Director People is bringing forward a recovery plan to mitigate the position.

The Monitoring Officer has no specific concerns with this report.

29 Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

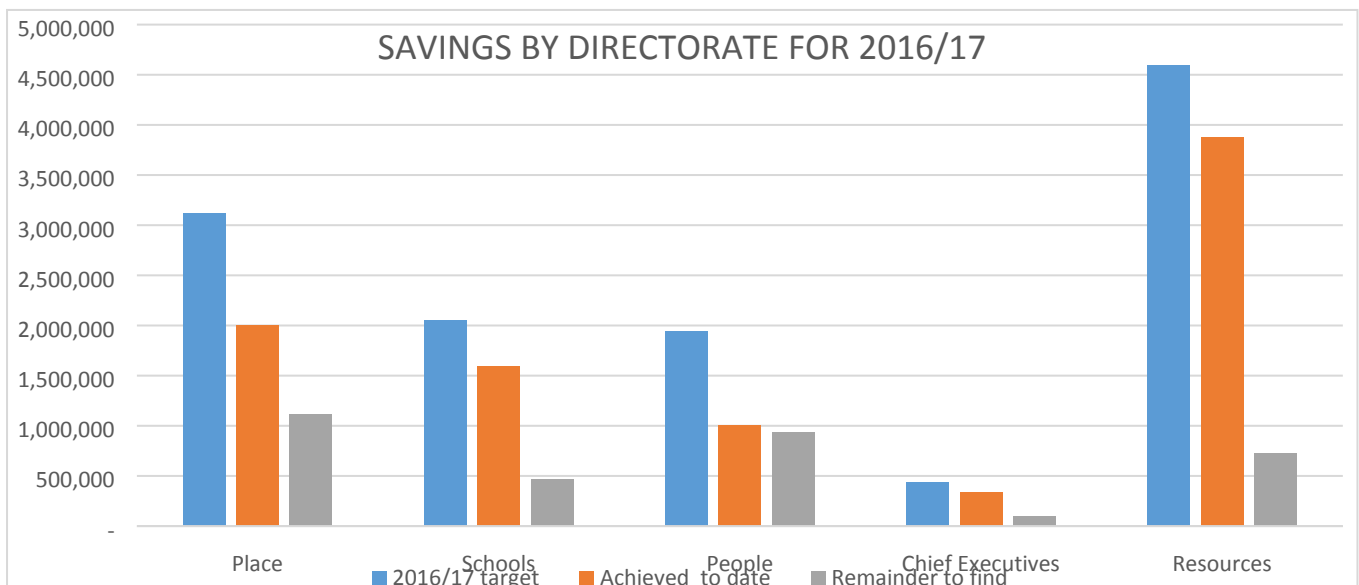
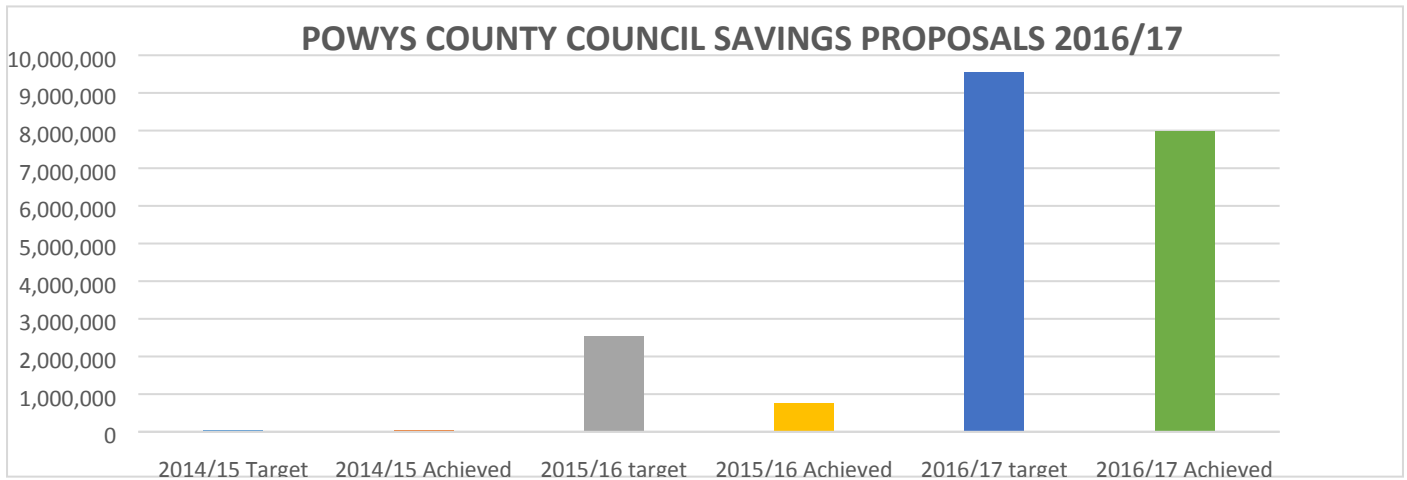
Recommendation:	Reason for Recommendation:
That: a. The contents of this report are noted by Cabinet; and b. Cabinet supports appropriate action by services to curtail or reduce the reported forecasted service deficits. c. The Capital virements set out in paragraph 16.3 are approved, and those over £500k be submitted to full council for approval.	To monitor the council's financial performance and ensure that spending remains within approved limits and that the 3% minimum general fund reserve is maintained.

Relevant Policy (ies):	Financial Regulations		
Within Policy:	Yes	Within Budget:	n/a

Relevant Local Member(s):	
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Person(s) To Implement Decision:	Jane Thomas
Date By When Decision To Be Implemented:	

Contact Officer Name	Tel	Fax	E mail
Jane Thomas	01597-826341	01597-826290	jane.thomas@powyscc.gov.uk



Powys County Council Proposed Savings to meet Target of £12,138,957 for 2016/17

